ANNUAL · 1983-84 · REPORT

Alberta Heritage Savings Trust Fund

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Alberta
TREASURY

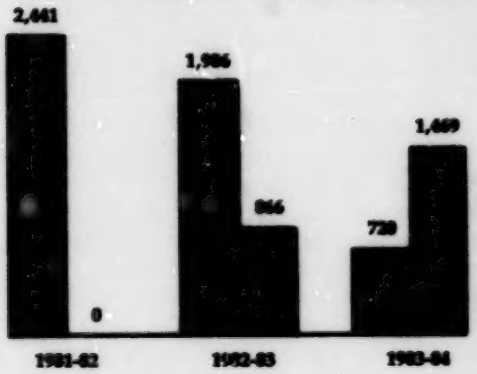
Hon. Lou Hyndman
Provincial Treasurer

A.F. Collins
Deputy Provincial Treasurer

Additional copies of this annual report and copies of the future quarterly reports on the Alberta Heritage Savings Trust Fund may be obtained by writing:
Heritage Fund Reports
424 Terrace Building
Edmonton, Alberta T5K 2C3
or by telephoning (403) 427-8837

Highlights

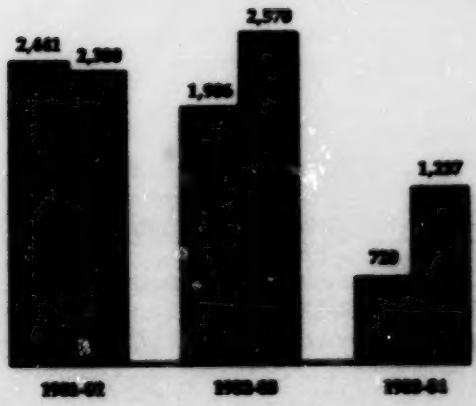
	1981-82	1982-83	1983-84
	(millions of dollars)		
For the Year			
Non-Renewable Resource Revenue Received	1,434	1,370	720
Net Income Retained	1,007	616	—
New Revenues Retained in Heritage Fund	2,441	1,986	720
Net Investment Income Transferred to Province's General Revenues	—	866	1,469
New Investments in Alberta	2,380	2,570	1,237
At Year End			
Financial Assets	9,700	11,397	11,777
Deemed Assets	1,309	1,605	1,935
Total Assets	11,009	13,002	13,712



The Heritage Fund's contribution of investment income to budgetary revenues increased significantly to respond to budgetary priorities.

New Revenues Retained in Heritage Fund

Contribution to Budgetary Revenues



New investments continued to focus on Alberta.

New Revenues Retained in Heritage Fund

New Investments in Alberta

This eighth annual report to Albertans on their Heritage Savings Trust Fund is especially significant because 1983-84 was the first year in which all the Fund's income was deployed to help pay for ongoing health, education, justice and other government services.

The year 1983-84 has confirmed to Albertans the wisdom of the original purpose of the Heritage Fund. In deciding in 1976 to set aside part of the Province's resource revenues for investment in a savings fund, the Legislature recognized that prudent saving would provide a measure of protection in times of economic downturn and fluctuations in these revenues.

For Albertans, 1983-84 was the most difficult economic year in more than a decade. Individuals, businesses and the government have had to make economic adjustments to adapt to our transition from a "boom" economy to one of more normal and sustainable growth. The Heritage Fund has played a central role in the Province's strategies of fiscal restraint and sound financial management.

The Rainy Day Umbrella

When the "rainy days" hit Alberta, the Heritage Fund "umbrella" was brought out and opened. The Heritage Fund has helped to protect Albertans from the full impact of the economic downturn by a total contribution of $2.3 billion in investment earnings to budgetary revenues.

In 1983-84, the Heritage Fund's investment income contributed $1,469 million or approximately 16 per cent of the Province's total budgetary revenue. In concrete terms, for two months out of twelve the Heritage Fund supplied the money to operate our schools, hospitals, seniors' programs, universities, colleges, justice system and other services.

Heritage Fund income made possible continued funding for the Economic Resurgence Plan in 1983-84. Heritage Fund interest shielding programs had directly reduced interest costs for approximately 200,000 Albertans by March 31, 1984.

The Heritage Fund Keeps Taxes Down

If the Heritage Fund had not contributed its investment income to budgetary revenues in 1983-84, Albertans would have faced significant reductions in services, increases in taxes, or both. For example, a doubling of provincial personal income tax receipts or the introduction of a 7 per cent sales tax would have been necessary to maintain the high level of services that our citizens enjoy. Besides ensuring the continued delivery of high quality services to Albertans, the Heritage Fund's income has helped to reduce the budgetary deficit, the need for external borrowing, and the amount of interest paid to service debt.

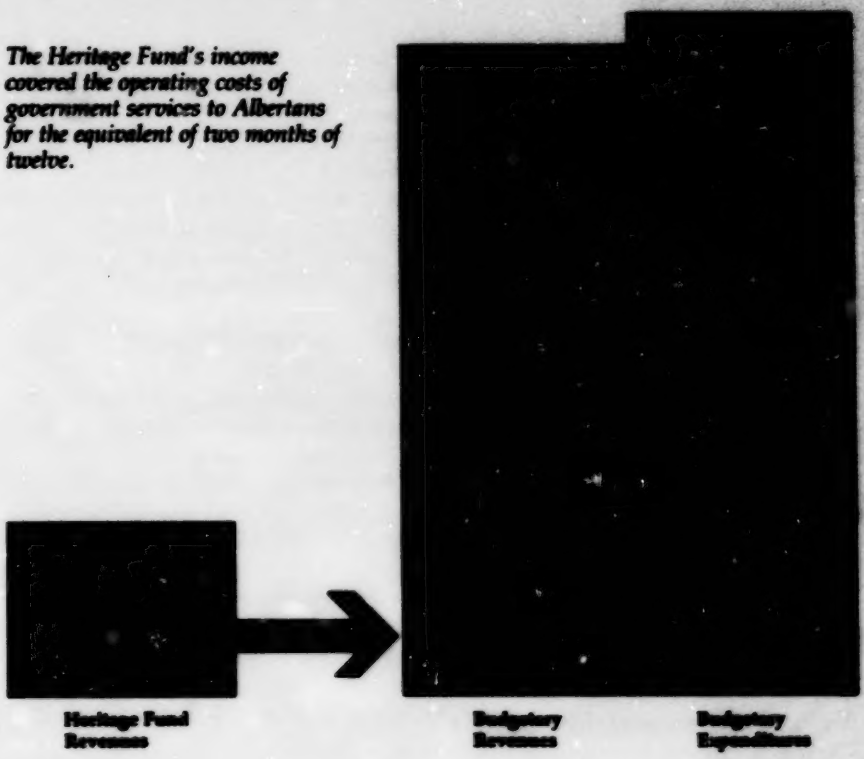
The Heritage Fund is Maintained and Stabilized

In 1983-84, the transfer of non-renewable resource revenue was reduced from 30 to 15 per cent to help fund priority budgetary needs and reduce the budgetary deficit. This continued transfer maintains the Province's commitment to savings and the basic philosophy of the Fund.

The transfer of 15 per cent of non-renewable resource revenue maintained the Fund at its 1982-83 level after taking inflation into account. In real terms, the Heritage Fund has not grown in the past year.

Heritage Fund Contribution to Budgetary Revenues and Expenditures in 1983-84

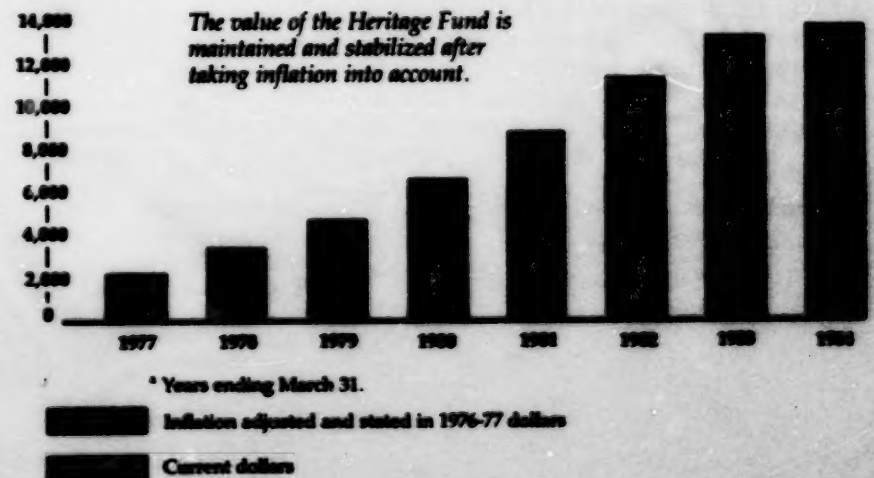
The Heritage Fund's income covered the operating costs of government services to Albertans for the equivalent of two months of twelve.



Alberta Heritage Savings Trust Fund Assets[a]

(millions of dollars)

The value of the Heritage Fund is maintained and stabilized after taking inflation into account.



Investment Activities

At March 31, 1984, 75% of the Fund was invested in Alberta providing social benefits for Albertans or direct benefits for the Alberta economy. New investments in capital projects totalling $330 million in 1983-84 assisted the employment picture by creating thousands of jobs throughout Alberta.

Investments in the various divisions have helped to finance such diverse activities as Vencap Equities Alberta Ltd., the Prince Rupert Grain Terminal, farming operations, small businesses, seniors' accommodation, municipal public works, telecommunications, urban parks, hospitals and irrigation.

Research in oil sands and conventional oil enhanced recovery, forestry, agriculture, workers' health and safety, and medicine continued to be financed by the Fund. Through the leadership and activities of the Alberta Heritage Foundation for Medical Research, Alberta is becoming a major health sciences research centre.

Complementing this commitment to research, the Alberta Heritage Scholarship Fund, set up through an endowment in 1981-82, continued to recognize and assist high school, university, college and technical school students.

Investments made in earlier years under the Canada Investment Division brought in $244 million of investment income. The Commercial Investment Division performed well, with the market value of investments exceeding their cost by $76 million at year end.

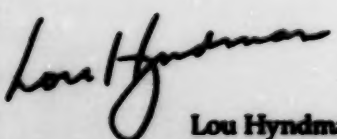
A Financial Bridge to the Future

The non-renewable resource revenues saved in the Heritage Fund have allowed the Province greater fiscal flexibility in responding to changing needs and circumstances in the economy. By ensuring that the Province has a supplementary source of income, the Heritage Fund has played a major role in cushioning Albertans from the worst effects of the economic downturn.

Without the Heritage Fund, it is clear that Albertans would have faced both tax increases and cuts in levels of service in 1983-84.

With the Heritage Fund, Alberta was in a stronger position to ride out the economic downturn prior to moving steadily toward recovery and sustained growth. The Heritage Fund will continue as an integral part of the Province's financial management strategy; it is our financial bridge to the future.

Heritage Fund Investment Income
Supports Social and Economic Programs



Lou Hyndman
Provincial Treasurer
July, 1984

[redacted]

Alberta Heritage Savings Trust Fund

- In 1983-84, the Heritage Fund earned net investment income of $1,469 million.

- All of this income was transferred to the Province's general revenues to meet about one-sixth of operating budget needs and to reduce the need for external borrowing.

- To March 31, 1984, the Heritage Fund had contributed a total of $2.3 billion in investment earnings to budgetary revenues.

- Jobs were provided for Albertans through $330 million in Heritage Fund financing for capital projects.

- The transfer of fifteen per cent of resource revenue ($720 million) to the Heritage Fund increased total assets by 5 per cent. In real terms, after taking inflation into account, this increase maintained and stabilized the Fund at its March 31, 1983 level.

- Capital financing totalling $591 million was provided to Alberta Crown corporations:

Alberta Opportunity Company	$ 42 million
Alberta Agricultural Development Corporation	$144 million
Alberta Home Mortgage Corporation	$220 million
Alberta Housing Corporation	$170 million
Alberta Government Telephones Commission	$ 15 million

- The Heritage Fund completed its $106 million commitment to help finance the construction of a new grain terminal at Prince Rupert, B.C. with the purchase of $75 million in participating bonds from Ridley Grain Ltd.

- Vencap Equities Alberta Ltd., a new shareholder owned venture capital company, received a $200 million loan from the Heritage Fund.

- During 1983-84, the Alberta Heritage Scholarship Fund provided approximately $9 million in scholarship support for students. The Alberta Heritage Foundation for Medical Research expended research funds totalling $27.6 million.

- The Heritage Fund's 1983-84 rate of return measured at cost was 13.4 per cent compared to 13.9 per cent the year before. The weighted average yield to maturity on the Fund's interest-earning investments, increased to 13.7 per cent at March 31, 1984, from 13.6 per cent one year earlier.

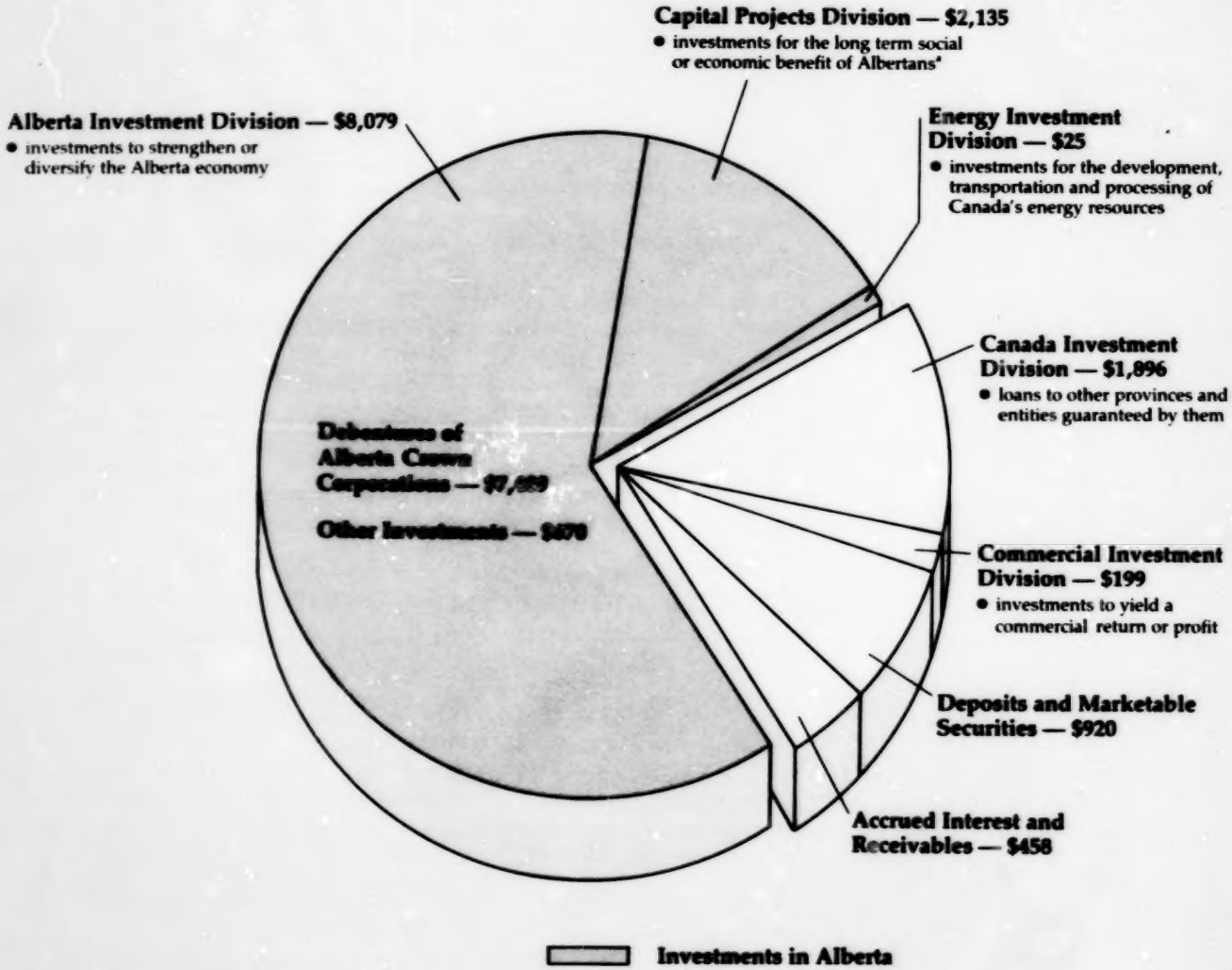
- The market value of the Commercial Investment Division exceeded its cost by $76 million at March 31, 1984.

Composition of Alberta Heritage Savings Trust Fund at March 31, 1984

(millions of dollars)

Total Assets — $13,712

75 per cent of the Heritage Fund was invested in Alberta at March 31, 1984.


Capital Projects Division — $2,135
• investments for the long term social or economic benefit of Albertans*
Alberta Investment Division — $8,079
• investments to strengthen or diversify the Alberta economy
Energy Investment Division — $25
• investments for the development, transportation and processing of Canada's energy resources
Canada Investment Division — $1,896
• loans to other provinces and entities guaranteed by them
Debentures of Alberta Crown Corporations — $7,589
Other Investments — $870
Commercial Investment Division — $199
• investments to yield a commercial return or profit
Deposits and Marketable Securities — $920
Accrued Interest and Receivables — $458
Investments in Alberta

* Capital Projects may not necessarily yield a return and are reported in part as assets and in part as deemed assets in the financial statements of the Heritage Fund.

The Heritage Fund was established in 1976 with the passage of the Alberta Heritage Savings Trust Fund Act. The Heritage Fund was set up as a means of saving a portion of the royalty and other revenues that the Province receives from the production of its oil and natural gas resources.

Since its inception, the Heritage Fund has had three objectives:

1. To save for the future.
2. To strengthen or diversify the economy and thereby place the province on a more solid footing to face future challenges.
3. To improve the quality of life of Albertans now as well as in the future.

The Alberta Heritage Savings Trust Fund Act sets out the sources of funds and how these funds can be invested. It defines five distinct Investment Divisions of the Fund, each with different aims and investment criteria. The Act outlines the powers of the Legislative Assembly, the Investment Committee and the Provincial Treasurer to make investments under each Division. The Investment Committee consists of all members of the Provincial Cabinet.

The Act also provides for a Select Standing Committee consisting of 15 Members of the Legislative Assembly. The Committee reviews the Annual Report of the Heritage Fund and may make recommendations concerning the Fund's investments or any alternative investments.

Members of the Select Standing Committee on the Alberta Heritage Savings Trust Fund Act:

Chairman

K. Kowalski *Barrhead*

Members

R.K. Alexander *Edmonton Whitemud*
H. Alger *Highwood*
R. Cook *Edmonton Glengarry*
S. Cripps *Drayton Valley*
J. Gogo *Lethbridge West*
A. Hyland *Cypress*
H. Kroeger *Chinook*
R. Martin *Edmonton Norwood*
R.A. Moore *Lacombe*
E. Musgreave *Calgary McKnight*
S. Nelson *Calgary McCall*
W. G. Notley *Spirit River/Fairview*
R. Speaker *Little Bow*
J. Thompson *Cardston*
B. Zip *Calgary Mountain View*

Where the Funds Come From

Prior to the 1982-83 fiscal year, the Heritage Fund derived its funds from two sources: (1) an annual transfer of 30 per cent of the Province's non-renewable resource revenues; and (2) the retention of its investment earnings.

Two significant amendments were made to the Alberta Heritage Savings Trust Fund Act during the 1983 Spring Session. The first amendment initiated the transfer of the Heritage Fund's net investment income to the Province's General Revenue Fund for budgetary purposes for a two year period beginning September 1, 1982. The Act was further amended in 1984 to continue the transfer of all that income.

The second amendment allows the percentage of non-renewable resource revenue to be transferred to the Fund to be specified in the annual Special Appropriation Act. Previously, these Acts had to provide for 30 per cent of such revenues to be transferred. The Legislative Assembly authorized the transfer to the Heritage Fund of 15 per cent of resource revenue in 1983-84 and 15 per cent of resource revenue in 1984-85.

Investment Divisions

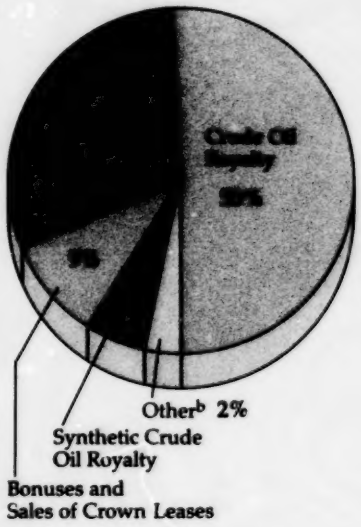
The Alberta Heritage Savings Trust Fund Act specifies that funds may be invested in any of five Investment Divisions, or under Section 10 of the Act in marketable securities. The broad objectives, the nature of investments, and the approval processes for each Investment Division are described in the table that follows.

Investment Divisions

Division	Legislative Criteria for Investments	Limitations/ Nature of Investments	Investment Authority
Capital Projects Division	Provide long term economic or social benefits to the people of Alberta. Projects may not necessarily by their nature yield a return.	The Division is limited to 20 per cent of the Fund's assets. Investments include capital and research projects, endowment funds and a debenture of Vencap Equities Alberta Ltd. Amounts expended on projects are deemed to be assets of the Fund.	Funds are appropriated to each project annually by the Legislature.
Alberta Investment Division	Strengthen or diversify the economy of Alberta. Yield a reasonable return or profit.	Investments may be in the form of debt or equity. There is no limitation on the size of the Division. Investments include debentures of provincial Crown corporations, corporate debentures and equity holdings.	Each investment must be approved by the Investment Committee or by a legislative resolution. Effective April 1, 1984, a legislative resolution is required to approve the annual maximum investment in each provincial Crown corporation.
Commercial Investment Division	Yield a commercial return or profit	A wide range of securities, including common stocks are permitted. Guidelines tabled in the Legislature limit investment in common shares of any one Canadian corporation to no more than 5 per cent of the shares outstanding.	The Investment Committee has delegated the authority to the Provincial Treasurer to make day to day investments within guidelines it has approved.
Canada Investment Division	Make loans to other provincial governments and their agencies. Yield a reasonable return or profit.	The Division is limited to 20 per cent of the Fund's assets. Lending activity was suspended in March, 1982.	Each investment must be approved by the Investment Committee or by a legislative resolution.
Energy Investment Division	Facilitate the development, processing or transportation of energy resources within Canada. Yield a reasonable return or profit.	Investments may be in the form of debt or equity. There is no limitation on the size of the Division. No new investments made in 1983-84.	Each investment must be approved by the Investment Committee or by a legislative resolution.
Deposits and Marketable Securities (Section 10)	Invest funds not immediately required for other divisions.	Short-term money market securities and marketable bonds.	Provincial Treasurer is authorized to make investments.

Where the Funds Come From

Heritage Fund revenues come from the oil and gas resources owned by all the people of Alberta. They do not come from a gasoline tax, as Alberta has no gasoline sales tax.



a) Net of Exploratory Drilling and Geophysical Incentive Credits
b) Includes Coal Royalties and Rentals and Fees

The Heritage Fund has two sources of funds: (1) an annual transfer of non-renewable resource revenue from the Province's General Revenue Fund; and (2) the income that the Fund earns on its investments. This investment income is being transferred to the Province's General Revenue Fund to help meet budgetary needs.

Non-Renewable Resource Revenue

The Province receives non-renewable resource revenue primarily from royalties on the production of oil and natural gas and the sale of Crown leases. Alberta does not have a retail tax on gasoline; the Fund has never received revenue from this source.

From 1976-77 to 1982-83, the Heritage Fund received 30 per cent of the Province's non-renewable resource revenue. In 1983-84, the transfer of resource revenue was reduced to 15 per cent to respond to the Province's budgetary requirements. The remaining 85 per cent was used, along with taxes and other revenues including the Heritage Fund's income, to fund health, education, social services, transportation and other government services. In 1983-84, the Heritage Fund received $720 million in resource revenue.

Investment Income

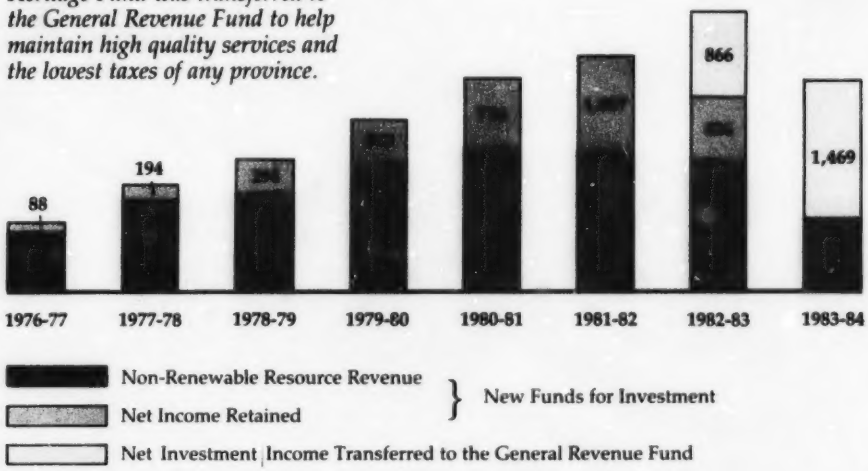
During 1983-84, the Heritage Fund earned net income of $1,469 million on its investments. All of these investment earnings were transferred to the Province's general revenues to fund the Economic Resurgence Plan, to help meet budgetary needs, and to continue the delivery of high quality services to Albertans. The Heritage Fund provided approximately 16 per cent of the Province's total budgetary revenue. Significantly, these revenues were enough to meet the government's operating costs for about two months of the past fiscal year.

Income earning investments earned a rate of return on amortized cost of 13.4 per cent, down marginally from 13.9 per cent the previous year due to lower average interest rates in 1983-84. The weighted average yield to maturity of fixed income securities at March 31, 1984 was 13.7 per cent compared to 13.6 per cent one year earlier.

Where the Funds Come From For Investment

(millions of dollars)

In 1983-84, for the first time, all of the investment income of the Heritage Fund was transferred to the General Revenue Fund to help maintain high quality services and the lowest taxes of any province.



Income, Rates of Return and Yields on Investments

	Income	Rate of Return[a] on Amortized Cost	Yield to Maturity[b] on Amortized Cost of Fixed Income Securities
	(millions of dollars)	(%)	(%)
Canada Investment Division	$ 244.1	13.2	13.2
Alberta Investment Division	$1,160.1	14.1	14.3
Energy Investment Division	$ 3.5	14.6	14.6
Commercial Investment Division	$ 11.3[c]	5.3[c]	10.1[d]
Deposits and Marketable Securities	$ 47.6	10.3	10.2
	$1,466.6	**13.4**	**13.7**
Capital Projects Division[e]	$ 2.6		
	$1,469.2		

a) Time weighted rates of return on cost for the year ended March 31, 1984. Rate of return is the income from an investment over a period, including realized gains or losses, expressed as a percentage of the average value of the investment over that period. The time weighted method is a commonly used calculation which removes the potentially distorting effects on rate of return of the timing of new cash flows to or from the Fund.

b) Yield to maturity, a characteristic of an investment at a specific date, is an estimate of the annual rate of return an investor would realize on his investment if he held it until it matures. The average yields to maturity shown are at March 31, 1984.

c) Includes only dividends on shares, income on debt and net gain on sales of investments. Does not include the appreciation in market value of shares. At March 31, 1984, the market value of the Division exceeded its cost by $75.8 million.

d) Money market securities only.

e) Participation in the net income of Vencap Equities Alberta Ltd. The purpose of investments under the Capital Projects Division is to provide long term economic or social benefits to Albertans. Vencap is the only investment under this Division that provides a financial return to the Heritage Fund.

New Project

Project Administered by Economic Development

Venture Capital Financing - Vencap Equities Alberta Ltd.
During the 1983 Spring Session, the Legislature approved a $200 million loan from the Capital Projects Division to Vencap Equities Alberta Ltd., a new Alberta based venture capital company. Vencap raised a further $44 million in the fall of 1983 through a successful public offering of common shares and convertible debentures. It is now a widely held, shareholder owned corporation that operates at arm's length from the government.

In accordance with the agreement accompanying the Heritage Fund loan, Vencap will provide equity-linked capital for business activities that it assesses as beneficial to Alberta's economic development. Through its investments, the company's aim is to operate profitably, promoting its long term growth in the best interests of its shareholders.

The company expects to focus investments on business start-ups and expansions having growth prospects and competent management and requiring additional risk capital. The Heritage Fund loan to Vencap was structured to recognize the unique characteristics of these activities. In particular, the loan is long term and the Heritage Fund will receive its return through a percentage participation in Vencap's net income each year.

Ongoing Projects Funded in 1983-84

Projects Administered by Agriculture

Farming for The Future
Aimed at improving net farm income and the long term viability of Alberta's vital agricultural sector, $7.4 million was made available for agricultural research activities in 1983-84. Over 150 individual research projects covering fields as diverse as the development of higher yielding crops to land utilization and farm management issues received funding. Support was also made available for graduate student research in the agricultural sciences. Through the On-Farm Demonstration Program, producers throughout the province were involved in testing innovative farm technologies.

Farming for the Future has been supported with a total investment of $24.9 million to March 31, 1984.

Irrigation Rehabilitation and Expansion
In 1983-84, the 13 Irrigation Districts participating in this program benefited from expenditures of $32.9 million. Of this amount, $32.1 million was granted as the Province's share to upgrade irrigation systems, ensuring the efficient distribution of water to irrigated lands. Almost $300,000 was spent on research into more suitable canal linings for Alberta's soil and climate conditions. Also, over $500,000 was spent on an aerial photographic mapping program to improve the planning and design of future irrigation development.

The total investment in this program at March 31, 1984 stands at $127.3 million.

Food Processing Development Centre
The Centre, in Leduc, is planned to open in the autumn of 1984 and will provide the food industry and researchers with an Alberta facility for the development and testing of new products, processes and packaging systems. Capabilities will include the capacity to evaluate equipment and ingredients under controlled conditions. Construction of the facility continued in 1983-84 with expenditures of $2.1 million. Total investment at March 31, 1984 was $5.9 million.

Specialized equipment at the Food Processing Development Centre in Leduc will aid in the development and testing of new food products, and food processing and packaging systems.

Projects Administered by Energy and Natural Resources

Alberta Oil Sands Technology and Research Authority (AOSTRA)
AOSTRA was established in 1974 to develop new technology for the recovery and processing of petroleum from Alberta's oil sands. Over the years the provincial Crown corporation's mandate has been expanded to include the recovery of heavy oils and the enhanced recovery of oil from conventional reservoirs. AOSTRA has achieved international prominence in these areas.

AOSTRA achieves its objectives by participating with private industry in pilot projects as well as supporting a range of research activities. The rights to the technology arising from these programs are retained by AOSTRA and made available to interested parties for commercial use in Alberta and elsewhere.

During 1983-84, $54.5 million was provided bringing the total investment at March 31, 1984 to $251.4 million.

Alberta Reforestation Nursery
The Pine Ridge Forest Nursery has been operational for three years and in 1983-84 shipped 32.1 million seedlings which were used for the reforestation of harvested Crown land, burned-over land and potentially productive land throughout Alberta. The Heritage Fund's support of $1 million in 1983-84 permitted the expansion of the genetics and tree improvement facility to meet the needs resulting from a co-operative industry-government research and development initiative. Other minor site improvements were also undertaken during the year. At March 31, 1984, a total of $14.6 million had been invested in this project.

Grazing Reserves Development
To date, nine public grazing reserves have been completed and four are currently in various stages of development. These provincial grazing reserves are located in central and northern Alberta in areas where soil conditions are generally unsuitable for cereal crops. By providing land for livestock grazing and freeing privately owned land for crops, the program aims to diversify and stabilize local agricultural economies.

Total investment reached $24.2 million at March 31, 1984, including $4.1 million expended during 1983-84.

Maintaining Our Forests
During 1983-84, $4.9 million was invested in this project, bringing the Heritage Fund's total investment to $16.6 million at March 31, 1984. The project's purpose is twofold: to re-establish and improve the productivity of coniferous forests which have been damaged by fire, industrial clearing and non-forestry zoning; and to conduct research for future improvements in forest productivity. Progress in 1983-84 included the planting of over 15.8 million seedlings and the thinning of 502 hectares (1,240 acres) of dense forests in the Rocky/Clearwater and Edson forest areas. Field and laboratory work on tree improvement also continued.

Projects Administered by Environment

Irrigation Headworks and Main Irrigation Systems Improvement
This project is an integral part of a broad water management plan which also involves Alberta Agriculture's Irrigation Rehabilitation and Expansion project. With multi-year support from the Heritage Fund, existing components of irrigation headworks systems and main canals are being rehabilitated, upgraded or replaced and new water storage and delivery systems are being built.

In 1983-84, $71.3 million was expended on planning, engineering and construction, bringing the total investment to $156.9 million at March 31, 1984. This year's major activities included continued work on the enlargement and rehabilitation of the Lethbridge Northern Irrigation District's headworks and main canal and the St. Mary River Irrigation District main canal. Substantial progress was also made on the construction of the Crawling Valley Reservoir in the Eastern Irrigation District and on the systems to improve water supply in the Berry Creek region southeast of Drumheller. Further, design and engineering work on the Badger Reservoir in the Bow River Irrigation District was completed during the year.

Land Reclamation
In the eight years ending March 31, 1984, $20.8 million in Heritage Fund support has been used throughout Alberta to reclaim land disturbed by municipal and pre-1963 industrial and commercial operations. Work has concentrated mainly on abandoned garbage dumps, sewage lagoons, gravel pits and mine sites. Research projects into improved land reclamation methods have also received funding.

During 1983-84, $4 million was spent on 101 reclamation projects and 11 research projects.

Lesser Slave Lake Outlet
The outlet facilities were completed during 1983-84, with $1.1 million expended to finish the weir and the one remaining channel cutoff. To March 31, 1984, a total of $2.9 million has been provided from the Heritage Fund. By stabilizing the lake levels, this project aims to prevent the flooding of communities and agricultural lands around the perimeter of Lesser Slave Lake.

Paddle River Basin Development
The major objectives of this development are to control the flooding of the Paddle River and to provide an assured water supply for the area. A 30 metre high dam on the upper reaches of the Paddle River is the main component of the project. Associated works include dykes, flood free road systems and channel improvements in the flood plain area. The resulting reservoir will also create recreational opportunities.

In 1983-84, $12.6 million was spent on the project, bringing the total investment to $36.3 million at March 31, 1984.

Project Administered by Executive Council

Occupational Health and Safety Research and Education
Grants are provided through this program for a wide range of research, training and educational activities that address health and safety problems of workers and employers, especially in high hazard industries. Participation of employer and worker organizations and private sector groups as well as educational institutions and researchers is encouraged.

By the end of 1983-84, the third year of this eight year program, 32 projects had been completed, seven were nearing completion and 19 others were underway. The projects span many areas including methods to prevent work-related accidents, study of occupational diseases and health and safety training.

Expenditures during the year were $1.3 million, bringing the total Heritage Fund support at year end to $2.4 million.

Projects Administered by Hospitals and Medical Care

Alberta Children's Provincial General Hospital
This Hospital, located in Calgary, became operational three years ago and was fully completed in 1983-84. The facility provides for the diagnostic assessment and treatment of children on both an in-patient and out-patient basis. An integral part of the Hospital is a school for children with complex health problems whose educational needs, either on a short or long term basis, cannot be met in community schools.

During 1983-84, $0.8 million was provided to complete the equipping and furnishing of the facility. Over the eight year period of funding that ended March 31, 1984, the Heritage Fund invested $40.5 million in the Hospital.

Applied Cancer Research
The Heritage Fund has assisted cancer research in Alberta for eight years, with funding totalling $21 million at March 31, 1984. During 1983-84, $4.2 million was granted to 116 research projects, including 39 new awards. The project, originally planned to end in 1984-85, was recently extended for a further two years.

Tom Baker Cancer Centre and Special Services Facility
This multi-component facility, located adjacent to the Foothills Provincial General Hospital in Calgary, was opened for patient care in the fall of 1981 and was substantially completed in 1983-84. The major components of this

Above and left:
The Alberta Children's Provincial General Hospital combines first quality medical care with special attention to the needs of children.

facility include: an auxiliary hospital, a cancer centre, a Provincial Laboratory, special services, a hostel unit and a day service centre. It is serving as a referral centre for all of southern Alberta and as an acute care centre for northwest Calgary.

During 1983-84, $4.1 million was invested. In total, the Heritage Fund provided $93.2 million for the design, construction, equipping and furnishing of this new Hospital over the eight year period ending March 31, 1984.

Walter C. Mackenzie Health Sciences Centre

Located at the University of Alberta in Edmonton, the Centre is designed to integrate health care, teaching and research, while considering the physical and emotional well-being of patients. The 167 000 square metre (1.8 million square foot) facility will replace the existing University of Alberta Hospital when completed. During 1983-84, occupancy and equipping of the 290 bed first phase and the 125 bed hostel continued. Construction work also continued on the second phase which, when completed, will provide an additional 553 in-patient beds and a number of diagnostic, treatment, ambulatory and administrative services.

Expenditures totalled $76.8 million in 1983-84, bringing the investment at March 31, 1984 to $268 million.

Project Administered by Public Works, Supply and Services*

Capital City Recreation Park

Encompassing 1 200 hectares (2,960 acres) of river valley land in Edmonton and the County of Strathcona, the Park offers recreational opportunities for individuals of all ages. It features bicycle and pedestrian paths and bridges, recreation, picnic and nature areas as well as an exhibition site featuring science, technology and archeological artifacts. The development of facilities was essentially completed in 1980-81, with only minor land acquisitions remaining for land use control and environmental purposes. A policy of acquiring land as it becomes available is being followed.

During 1983-84, $163,000 was provided from the Heritage Fund to acquire land, bringing the total investment in the Park to $42.2 million at year end.

Project Administered Jointly by Public Works, Supply and Services and Recreation and Parks*

Fish Creek Provincial Park (Land and Development)

This 1 330 hectare (3,280 acre) Provincial Park, located in southern Calgary, serves as an outdoor recreation centre for residents of Calgary and the surrounding communities as well as tourists. The year-round natural retreat provides hiking, fishing, cycling, swimming, nature studies, cross country skiing and equestrian facilities for the use and enjoyment of its visitors. The project is almost complete and all facilities are planned to be in place by the end of 1984-85 with final land acquisitions remaining after that date.

During 1983-84, $721,000 was expended for development work and $206,000 for land purchases. The Heritage Fund's total investment in this major recreational development at year end was $44.3 million.

Projects Administered by Recreation and Parks

Kananaskis Country Recreation Development

Kananaskis Country is being developed as a multi-use recreational area for the enjoyment of Albertans. At the same time, natural resource conservation and wildlife enhancement are important objectives. The area encompasses over 4 100 square kilometres (1,580 square miles) of foothills and mountains along the eastern slopes of the Rocky Mountains near Calgary. With expenditures of $21.5 million in 1983-84, the Heritage Fund investment totalled $183.1 million at March 31, 1984.

During the year, several campgrounds were completed, providing over 350 additional campsites and 400 picnicking sites. Fully developed "put-and-take" fish ponds were stocked with rainbow trout. The Kananaskis Country Golf Course was officially opened in July 1983, with 27 of 36 holes available for play. The year also saw the start of construction of the Mount Kidd Recreational Vehicle Park, which is expected to be open in the summer of 1984, and the commencement of replacement of domestic and wildlife grazing ranges.

Major road work continued in 1983-84 along the Sibbald Creek Trail, Highwood Trail, and Elbow Falls Trail. As well, further development occurred on the cross-country/hiking and equestrian trail systems throughout Kananaskis Country.

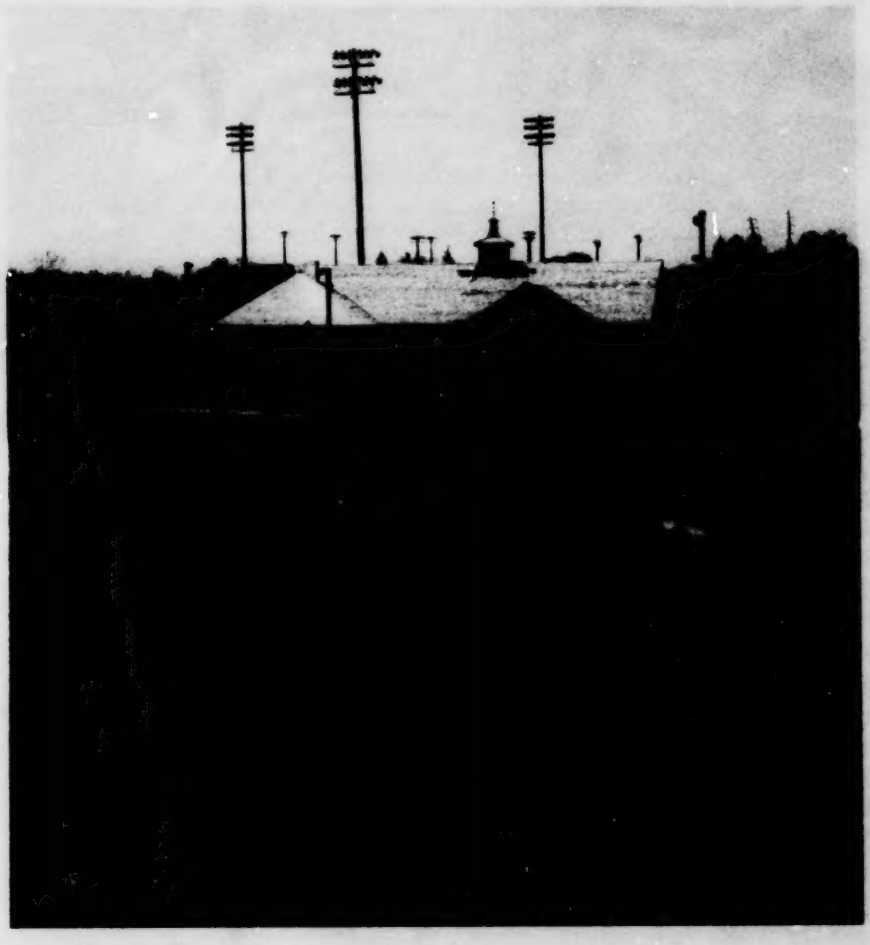
* Funds were voted to Environment for land acquisitions for both of these parks. However, during the year responsibilities were transferred to Public Works, Supply and Services.

Urban Parks

Through this multi-year program, funds are being made available to five cities — Medicine Hat, Lethbridge, Red Deer, Lloydminster, and Grande Prairie. Each community may purchase land and plan or construct their own park areas to enhance the outdoor recreational opportunities available to the residents of these regions of the province. During the year, the Strathcona Island unit was substantially completed and the Police Point unit was opened in the River Valley Park in Medicine Hat. In Red Deer, the Heritage Ranch unit and Bower Ponds/Great Chief Park units were substantially completed and are scheduled to be opened in the summer of 1984. Planning, land acquisition and some construction occurred in the other three cities.

In 1983-84, $22.1 million was spent on this program. Total investment at March 31, 1984 in the five parks was $40.4 million.

Red Deer Park, which features boating and waterfowl habitat on trout-filled lakes, is an example of the recreational facilities being developed under the Urban Parks project.



Project Administered by Transportation

Airport Terminal Buildings

The end of the 1983-84 fiscal year marks the completion of this project. Over a five year period, facilities were completed in 18 Alberta communities with a total investment of $16.4 million. During 1983-84, $2 million was spent at Peace River, Lloydminster, Wetaskiwin, Manning, Fort Vermilion, and Red Deer. By constructing new air terminal buildings or upgrading existing terminal facilities, this project has assisted agriculture, business communications, towns and rural Albertans generally.

Projects Completed in Previous Years

Alberta Heritage Scholarship Fund
From the investment earnings on this $100 million endowment fund established in 1981-82, over $23 million in scholarships has been awarded to over 16,000 Albertans. The majority of recipients are high school and post-secondary students.

Over 16,000 high school and post-secondary students have received scholarships from the Alberta Heritage Scholarship Fund since its establishment in 1981-82.

Library Development
This four year project was completed in 1982-83. With $9 million in support, over 600,000 volumes were acquired to expand and upgrade the library collections of Alberta universities and public colleges.

Alberta Heritage Learning Resources
Between the 1978-79 and 1980-81 fiscal years, $9.2 million was provided to develop and produce a series of books dealing with the history and heritage of Alberta. The books were distributed to 1,200 elementary and 800 secondary schools. In addition, parts of the collection were distributed to all municipal libraries, hospitals and nursing homes throughout the province.

New Rail Hopper Cars
In support of the Alberta Government's strong commitment to the agriculture sector, 1,000 new hopper cars were acquired in 1980-81 and 1981-82 at a cost of $53.8 million. The new cars continue to help increase the grain carrying capacity of the railway system, assisting our farmers and helping to stabilize agricultural incomes.

A computer, funded by the Alberta Heritage Foundation for Medical Research, can record the heart's electrical activity at 128 sites at any given second.

Alberta Heritage Foundation for Medical Research
Establishment of this Foundation with a $300 million endowment fund was the major new investment of 1979-80. During the four-year period ending March 31, 1984, a total of $67.4 million has been expended from the investment earnings of the endowment to support medical research projects. The Foundation, which is independent and at arm's length from the government, has been instrumental in attracting top calibre researchers to the province and is helping Alberta to become a world class centre for medical research.

Applied Heart Disease Research
Through this project, the Heritage Fund provided $29.3 million for applied cardiac research during the six years 1976-77 to 1981-82. Cardiac programs developed as a result of this research continue to be supported through the Department's regular budget.

Alberta Investment Division

In 1983-84, the largest proportion of the Heritage Fund's new investment was made under the Alberta Investment Division. The assets of the Division exceeded $8 billion at year end, representing 59 per cent of the total Heritage Fund.

Investments in Provincial Crown Corporations

At March 31, 1984, investments in Alberta's provincial Crown corporations amounted to $7,409 million or over 90 per cent of the Alberta Investment Division. The loans made by the Heritage Fund to Crown corporations carry market rates of interest appropriate for the term of the loan.

The Heritage Fund's investments in provincial Crown corporations have helped finance affordable housing, develop farms and small businesses, assist municipal public works and assist activities that support economic development. Financial support from the Province's General Revenue Fund to most of these Crown corporations enables them to deliver their program activities to Albertans at less than their actual cost.

During 1983-84, the new financing provided to Alberta Crown corporations amounted to $591 million—down significantly from the $2,243 million provided during 1982-83. The reasons for this are two- fold. Firstly, Alberta's two Crown corporations involved in the housing sector, the Alberta Housing Corporation and the Alberta Home Mortgage Corporation, witnessed a reduced demand for their program activities as a result of the economic downturn, overbuilding in the housing sector, higher rental vacancy rates and reduced demand for housing generally. Secondly, Alberta Municipal Financing Corporation and Alberta Government Telephones Commission, which had previously met a large proportion of their financing needs from the Heritage Fund, began to seek long term financing in capital markets.

Alberta Opportunity Company provided the financing for an Alberta firm to acquire this 12-head computerized stitching machine.

Alberta Opportunity Company

The Alberta Opportunity Company provides loans, loan guarantees and financial guidance to small businesses throughout the province in order to promote the stability, growth and diversification of the provincial economy. Loans are extended on a "lender of last resort" basis with priority given to businesses located outside major centres. In 1983-84, the Company made 254 loans and guarantees; its direct lending activity totalled $28 million.

During 1983-84, the Heritage Fund's new investment of $42 million in the Alberta Opportunity Company brought the total investment in the Company to $168 million at year end.

Alberta Agricultural Development Corporation

Alberta Agricultural Development Corporation provides loans and loan guarantees to farmers and agribusinesses. The Corporation's programs are designed to foster the establishment and maintenance of family farms and improvements in their productivity, and to encourage processing within Alberta of the province's agricultural products. Direct loans are made at preferred rates of interest and most borrowers are eligible for incentive rebates of part of their interest costs.

In 1983-84, the Corporation made 1,082 loan commitments totalling $142 million under its Beginning Farmer Program. The Corporation provided $8 million in loans to assist more established farms to expand and improve their productivity, and $13 million in financing for agribusinesses.

During the fiscal year ended March 31, 1984, the Heritage Fund invested $144 million in the Alberta Agricultural Development Corporation, bringing the Fund's total investment to $847 million.

Alberta Home Mortgage Corporation

Alberta Home Mortgage Corporation's lending programs assist in providing affordable rental and ownership housing in the marketplace for low to middle income Albertans. Programs include subsidies which serve to reduce monthly mortgage payments and rents for low to middle income homeowners and renters to levels commensurate with their income.

During 1983-84, the Corporation, through its Family Home Purchase Program, committed $29.3 million to provide 597 mortgage loans for the purchase of existing homes throughout Alberta and $30.7 million to provide mortgage financing for the construction of 528 new housing units.

The Corporation borrowed $220 million from the Heritage Fund in 1983-84. At year end, a total of $2,541 million was invested in debentures of the Corporation.

Alberta Housing Corporation

The primary objective of the Alberta Housing Corporation is to provide affordable housing for senior citizens and those Albertans whose housing needs cannot be adequately met in the marketplace. The operating costs of many projects are shared with other levels of government. Local authorities and non-profit groups play a significant role in the planning, development and operation of projects.

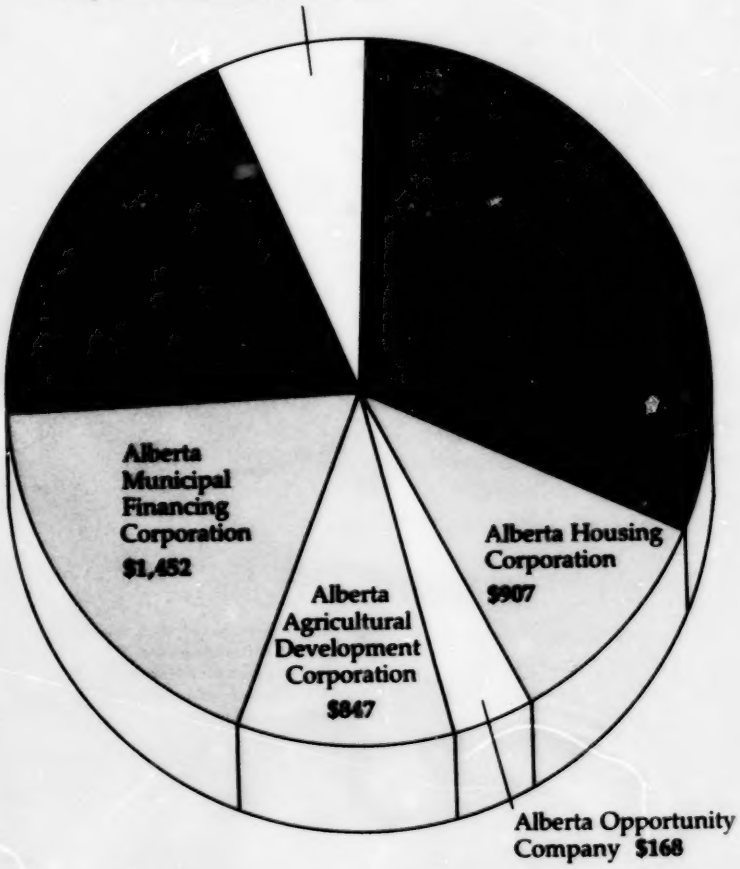
Under its Senior Citizens Self-Contained Program, the Alberta Housing Corporation committed funds to construct 103 units in 1983-84. These projects, for healthy and active seniors, are found in communities throughout Alberta. As well, funds were committed for the construction of 99 beds in Senior Citizens Lodges and 12 units under the Community Housing Program for low to moderate income Albertans of all ages. This housing is provided at rents which are below cost.

Alberta Housing Corporation provides affordable apartments for senior citizens throughout Alberta. Highwood Haven, a 12 unit project, is managed by the Mayerthorpe Lion's Club.

Alberta Investment Division

Total Investments at March 31, 1984
(millions of dollars)

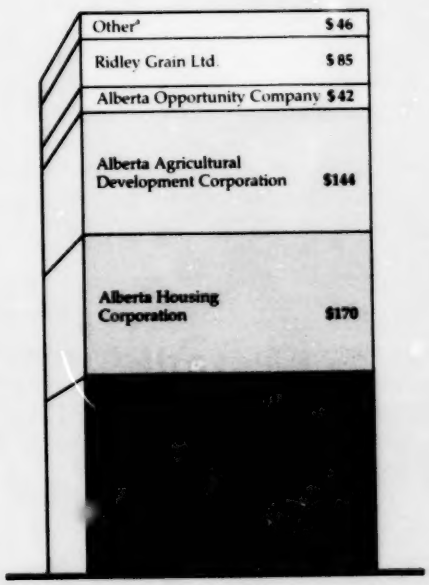
Other Investments:
- Syncrude **$443**
- Corporate Debt and Shares **$227**


Alberta Municipal Financing Corporation $1,452
Alberta Agricultural Development Corporation $847
Alberta Housing Corporation $907
Alberta Opportunity Company $168

Total Investments $8,079

Over ninety per cent of the Alberta Investment Division is invested in Alberta's Crown corporations providing vital infrastructure, public works, and financing for small businesses and agriculture.

New Investments in 1983-84
(millions of dollars)



Total New Investments $707

[a] Includes net change in participation in the Syncrude Project and a $15 million investment in AGT debentures.

The Heritage Fund provided financing for over $700 million in capital investments under the Alberta Investment Division.

In 1983-84, a decision was taken to refinance the debentures issued to the Heritage Fund in past years by the Alberta Housing Corporation to purchase its land inventory. Alberta Housing Corporation debentures totalling $278.9 million were refinanced during 1983-84 by way of an interest-free advance from the General Revenue Fund. This refinancing will allow the Corporation to reduce its future debt servicing costs. Any future land acquisitions will be funded through the proceeds of land sales or additional advances from the General Revenue Fund.

The Heritage Fund made new loans of $170 million to the Alberta Housing Corporation in 1983-84. At March 31, 1984, the Fund's total investment in the Corporation was $907 million.

Alberta Municipal Financing Corporation

At March 31, 1984, the Heritage Fund held $1,452 million in Alberta Municipal Financing Corporation debentures. During 1983-84, however, the Alberta Municipal Financing Corporation did not borrow from the Heritage Fund. Instead the Corporation successfully raised long term financing in the Canadian capital market and borrowed from the Canada Pension Plan Investment Fund.

The Alberta Municipal Financing Corporation makes loans to municipalities, school systems and hospitals at interest rates based on its cost of obtaining funds. The Corporation's borrowers benefit from a provincial government guarantee of the Corporation's borrowings and from access to a variety of capital markets.

Alberta Government Telephones Commission

In the fiscal year ended March 31, 1984, the Heritage Fund invested $15 million in the Alberta Government Telephones Commission, bringing the total investment in the Commission to $1,495 million.

Like the Alberta Municipal Financing Corporation, the Commission has also begun to borrow in the Canadian capital market, raising $150 million during 1983.

Other Investments

Prince Rupert Grain Terminal (Ridley Grain Ltd.)

Construction on the Prince Rupert Grain Terminal continued during 1983-84. The terminal is being constructed and will be operated by Prince Rupert Grain Ltd., a consortium of six major western Canadian grain handlers.

These storage bins are part of the Prince Rupert Grain Terminal which will significantly enhance the movement of Alberta grain to market and boost the Pacific coast's grain export potential.

When operational in 1985, this modern efficient facility will have a throughput capacity of 3.5 million tonnes annually, boosting our grain export potential from Canada's Pacific coast by about 20 per cent. With this added capacity, the movement of Alberta grain to market will be significantly enhanced.

The Heritage Fund's investment in this project is in the form of participating first mortgage bonds issued by Ridley Grain Ltd. to be repaid over a 30 year period. The return to the Heritage Fund will take the form of an annual interest payment and a participation in the cash flow of the project.

During 1983-84, the Heritage Fund invested $85 million bringing the Fund's total investment, including $10 million in capitalized interest, to $117 million at year end. In addition to this major investment by the Heritage Fund, financing is being provided by members of the consortium and from the Province's general revenues.

Syncrude

In 1983-84, Syncrude produced 5.6 million cubic metres (35.2 million barrels) of synthetic crude oil, equivalent to about 7 per cent of Canada's oil consumption. The Syncrude project not only contributes to the national goal of oil self-sufficiency but provides employment for over 4,000 people directly and 12,000 people indirectly.

During the year, the Province of Alberta and the other project participants agreed to undertake a major $1.2 billion expansion of the plant. Over the next five years this capital expenditure program will increase the plant's productive capacity from 17.3 thousand cubic metres (109 thousand barrels) per day to 20.5 thousand cubic metres (129 thousand barrels) per day.

During 1983-84, the Province of Alberta's 16.74 per cent participation in the Syncrude Project produced a net profit of $61.4 million compared to $68.7 million in 1982-83. At March 31, 1984, Alberta's participation in the project amounted to $442.5 million.

Alberta Energy Company Ltd. (AEC)

The Alberta Energy Company Ltd. is a Canadian-owned company established to encourage Canadians to participate in the development of energy and other natural resources. AEC's activities include oil and gas exploration and development, investments in Syncrude, pipelines, forest products, steel and coal. AEC common shareholders total over 50,000, with more than 50 per cent owning 100 shares or less. The general public owns approximately 55 per cent of the outstanding common shares while the remaining 45 per cent is owned by the Province and held under the Alberta Investment Division.

During 1983-84, the Heritage Fund received $4.5 million in dividends from its investment in AEC. At March 31, 1984, the Heritage Fund's investment in AEC, as recorded at cost, was $76.8 million.

Alberta Investment Division

Summary of Investment Transactions For the Year Ended March 31, 1984

	Cost March 31, 1983	Purchases	Amortization	Disposals, Repayments and Redemptions	Cost March 31, 1984
	(millions of dollars)				
Investments in Provincial Corporations:					
Alberta Agricultural Development Corporation Debentures					
Investments at March 31, 1983	718.0		—	14.9	703.1
Investments made during 1983-84:					
12.64% Mar. 1, 2008		7.0	—	0.1	6.9
12.20% May 1, 2008		3.0	—	—	3.0
12.15% Jun. 1, 2008		13.0	—	—	13.0
12.43% Jul. 4, 2008		15.0	—	—	15.0
12.66% Aug. 1, 2008		25.0	—	—	25.0
12.95% Sep. 1, 2008		36.0	—	—	36.0
12.60% Feb. 1, 2009		15.0	—	—	15.0
12.88% Mar. 1, 2009		30.0	—	—	30.0
	718.0	**144.0**	**—**	**15.0**	**847.0**
Alberta Government Telephones Commission Debentures					
Investments at March 31, 1983	1,713.3		1.5	235.0	1,479.8
Investment made during 1983-84:					
13.50% Nov. 1, 1989		15.0	—	—	15.0
	1,713.3	**15.0**	**1.5**	**235.0**	**1,494.8**
Alberta Housing Corporation Debentures					
Investments at March 31, 1983	1,021.2		—	284.3	736.9
Investments made during 1983-84:					
12.60% Mar. 18, 2013		20.0	—	0.1	19.9
12.15% May 12, 2013		50.0	—	0.1	49.9
13.05% Aug. 18, 2013		50.0	—	0.1	49.9
12.52% Nov. 28, 2013		50.0	—	—	50.0
	1,021.2	**170.0**	**—**	**284.6**	**906.6**
Alberta Home Mortgage Corporation Debentures					
Investments at March 31, 1983	2,540.1		—	218.3	2,321.8
Investments made during 1983-84:					
12.55% Apr. 1, 2003		50.0	—	0.3	49.7
12.15% Jun. 15, 2003		50.0	—	0.3	49.7
12.44% Jul. 15, 2003		25.0	—	0.2	24.8
12.63% Oct. 1, 2003		25.0	—	—	25.0
12.48% Nov. 1, 2003		50.0	—	—	50.0
12.73% Dec. 15, 2003		20.0	—	—	20.0
	2,540.1	**220.0**	**—**	**219.1**	**2,541.0**

	Cost March 31, 1983	Purchases	Amortization	Disposals, Repayments and Redemptions	Cost March 31, 1984
	(millions of dollars)				
Alberta Municipal Financing Corporation Debentures					
Investments at March 31, 1983	1,449.5		2.2	—	1,451.7
Investment made during 1983-84:		—	—	—	—
	1,449.5	**—**	**2.2**	**—**	**1,451.7**
Alberta Opportunity Company Debentures					
Investments at March 31, 1983	161.2		—	32.6	128.6
Investments made during 1983-84:					
10.92% Mar. 31, 1988		12.0	—	2.4	9.6
11.16% Sep. 30, 1988		5.0	—	—	5.0
11.46% Dec. 15, 1988		5.0	—	—	5.0
12.41% Mar. 15, 1989		5.0	—	—	5.0
12.62% Mar. 31, 1989		15.0	—	—	15.0
	161.2	**42.0**	**—**	**35.0**	**168.2**
Total Provincial Corporations	**7,603.3**	**591.0**	**3.7**	**788.7**	**7,409.3**
Other Alberta Investment Division Investments:					
TransAlta Utilities Corporation debenture					
13.75% Apr. 17, 1985	19.9	—	—	—	19.9
Bralorne Resources Ltd. debenture					
12.875% Aug. 15, 1995	5.0	—	—	0.4	4.6
Interprovincial Steel and Pipe Corporation Ltd. debenture					
14.50% May 15, 1995	5.0	—	—	0.4	4.6
Canadian Commercial Bank debenture					
(a) July 4, 1986	5.0	—	—	—	5.0
Ridley Grain Ltd. debenture					
11.00% Dec. 31, 2016	31.4	85.2	—	—	116.6
Alberta Energy Company Ltd. common shares	76.8	—	—	—	76.8
Participation in Syncrude Project	411.3	227.4 (b)	—	196.2 (c)	442.5
Total	**8,157.7**	**903.6**	**3.7**	**985.7**	**8,079.3**

(a) Floating at the bank's prime lending rate less 0.5%.
(b) Includes advances ($166.0 million) plus current year net profit ($61.4 million).
(c) Repayment of advances during the year.

Canada and Energy Investment Divisions

Canada Investment Division

No new loans were made under the Canada Investment Division in 1983-84. Lending under this Division has been suspended indefinitely to help ensure that funds are available to meet priority needs in Alberta.

At March 31, 1984, investments totalled $1,896 million or about 14 per cent of the assets of the Heritage Fund. During 1983-84, interest on these loans made in previous years contributed $244 million toward the Fund's investment earnings.

Summary of Investment Transactions For the Year Ended March 31, 1984

	Par Value March 31, 1984	Cost March 31, 1983	Purchases	Amortization	Disposals, Repayments and Redemptions	Cost March 31, 1984
			(millions of dollars)			
Province of Manitoba	**260.0**	**258.2**	**—**	**0.3**	**—**	**258.5**
Province of New Brunswick	247.0	244.2	—	0.2	—	244.4
New Brunswick Electric Power Commission	135.0	133.0	—	0.2	—	133.2
	382.0	**377.2**	**—**	**0.4**	**—**	**377.6**
Province of Newfoundland	155.0	153.8	—	0.2	—	154.0
Newfoundland and Labrador Hydro	150.0	147.8	—	0.2	—	148.0
Newfoundland Municipal Financing Corporation	76.6	77.5	—	—	1.7	75.8
	381.6	**379.1**	**—**	**0.4**	**1.7**	**377.8**
Province of Nova Scotia	235.0	231.6	—	0.2	—	231.8
Nova Scotia Municipal Finance Corporation	62.1	66.3	—	0.1	4.6	61.8
Nova Scotia Power Corporation	125.0	123.6	—	0.1	—	123.7
	422.1	**421.5**	**—**	**0.4**	**4.6**	**417.3**
Province of Prince Edward Island	**90.0**	**90.7**	**—**	**0.1**	**2.0**	**88.8**
Hydro-Quebec	**385.0**	**375.8**	**—**	**0.4**	**—**	**376.2**
Total	**1,920.7**	**1,902.5**	**—**	**2.0**	**8.3**	**1,896.2**

Energy Investment Division

During 1983-84, no new investments were made under the Energy Investment Division. The only investment held is in debentures of Luscar Ltd., purchased in 1980-81 and yielding 14.6 per cent to maturity.

Summary of Investment Transactions For the Year Ended March 31, 1984

	Cost March 31, 1983	Purchases	Disposals, Repayments and Redemptions	Cost March 31, 1984
		(millions of dollars)		
Luscar Ltd. debenture 13.875% Dec. 2, 1989	**25.0**	**—**	**—**	**25.0**

Commercial Investment Division

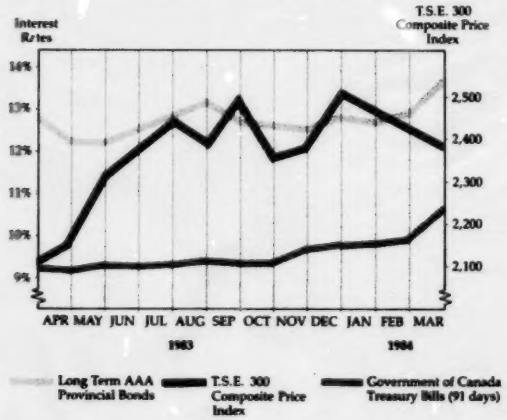
The primary objective of the Commercial Investment Division is to earn a commercial rate of return in keeping with the Heritage Fund's overall savings objective. Additionally, the Commercial Investment Division's emphasis on equity investments serves, in part, to diversify the Heritage Fund's overall portfolio. The Commercial Investment Division became operational late in the 1981-82 fiscal year with an allocation of $200 million approved by the Investment Committee.

The Division's equity portfolio is diversified, representing a broad range of Canadian industrial sectors and public companies. The investments are managed on a passive basis and are limited to no more than 5 per cent of the shares outstanding of any one company.

Throughout 1983-84, the orderly program of common share purchases continued. At March 31, 1984, the Commercial Investment Division had total investments (at cost) of $199.1 million of which $193.6 million was in Canadian equities and convertible bonds with the remainder invested in short term money market securities. The market value of the portfolio at the end of the fiscal year was $274.9 million.

The Division contributed $11.3 million in dividends and interest to the Heritage Fund's investment income in 1983-84.

1983-84 Trends



Summary of Investment Transactions For the Year Ended March 31, 1984

	Cost March 31, 1983	Purchases	Amortization	Disposals, Repayments and Redemptions	Cost March 31, 1984	Market Value March 31, 1984
	(millions of dollars)					
Money market securities	32.3	110.1	1.1	138.0	5.5	5.5
Convertible bonds	10.5	3.4	—	—	13.9	15.0
Equities	156.0	28.0	—	4.3	179.7	254.4
Total	198.8	141.5	1.1	142.3	199.1	274.9

Deposits and Marketable Securities

Funds which are not immediately required under one of the five Investment Divisions are invested under Section 10 of the Alberta Heritage Savings Trust Fund Act. As shown in the accompanying table, holdings of money market securities increased during the year. The primary reason for the increase was the receipt of $278.9 million late in the fiscal year as a result of the Province's decision to refinance certain debentures issued to the Heritage Fund in past years by the Alberta Housing Corporation.

Money market securities consisted primarily of the obligations of Canadian banks and government treasury bills and notes which together represented 83 per cent of short term holdings. These holdings included $131.1 million in Alberta bills and notes. As interest rates increased markedly during the last quarter of the fiscal year, the average term to maturity of these short term securities was increased from approximately 28 days to 50 days at year end. The average yield to maturity on these short term holdings was 10.1 per cent at March 31, 1984, up from 9.7 per cent at March 31, 1983.

The major components of the bond portfolio are marketable federal and provincial government securities. During 1983-84, the average term to maturity increased slightly from 18.2 years to 19.1 years as a result of the sale of some shorter term bonds. The weighted average yield to maturity on an amortized cost basis was 10.2 per cent at year end, a decrease from 10.4 per cent one year earlier.

Section 10 holdings earned net investment income of $47.6 million for the Heritage Fund in 1983-84. These investments earned a rate of return, based on amortized cost, of 10.3 per cent during the fiscal year.

Summary of Investment Transactions For the Year Ended March 31, 1984

	Cost March 31, 1983	Purchases	Amortization	Disposals, Repayments and Redemptions	Cost March 31, 1984	Market Value March 31, 1984
	(millions of dollars)					
Cash and deposit in the Consolidated Cash Investment Trust Fund	**117.3**	**—**	**—**	**5.4(a)**	**111.9**	**111.9**
Marketable securities:						
Money market securities	304.1	1,952.7	26.9	1,662.6	621.1	621.1
Bonds:						
Government of Canada, direct and guaranteed	190.6	—	0.1	54.3	136.4	104.3
Province of Alberta, guaranteed:						
Alberta Government Telephones Commission	4.5	—	—	—	4.5	4.0
Other provinces, direct and guaranteed	96.7	—	0.2	1.8	95.1	71.7
Corporate	18.0	—	—	9.8	8.2	6.7
	613.9	**1,952.7**	**27.2**	**1,728.5**	**865.3**	**807.8**
Total	**731.2**	**1,952.7**	**27.2**	**1,733.9**	**977.2**	**919.7**

(a) Net withdrawals.

Alberta Heritage Savings Trust Fund

Financial Statements

March 31, 1984

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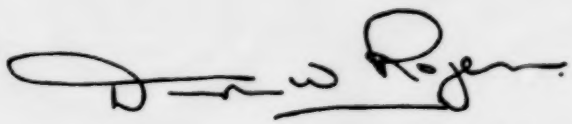
Alberta Heritage Savings Trust Fund

Auditor's Report

To the Provincial Treasurer

I have examined the balance sheet of the Alberta Heritage Savings Trust Fund as at March 31, 1984 and the statements of income, retained earnings, transfers and fund equity, changes in financial position and Capital Projects Division amounts expended for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Trust Fund as at March 31, 1984 and the results of its operations, the changes in its financial position and the amounts expended within the Capital Projects Division for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.



C.A.
Auditor General

Edmonton, Alberta
June 18, 1984

Alberta Heritage Savings Trust Fund **Statement A**

Balance Sheet

March 31, 1984

(thousands of dollars)

ASSETS AND DEEMED ASSETS	1984	1983
Assets:		
Deposit in the Consolidated Cash Investment Trust Fund	$ 111,860	$ 117,336
Accrued interest and accounts receivable	429,412	419,603
Due from the General Revenue Fund	28,273	—
Marketable securities, Schedule 1	807,760	575,769
Canada Investment Division investments, Schedule 2	1,896,238	1,902,516
Alberta Investment Division investments, Schedule 3	8,079,348	8,157,700
Energy Investment Division investments, Schedule 4	25,000	25,000
Commercial Investment Division investments, Schedule 5	199,155	198,785
Capital Projects Division investments, Schedule 6	200,000	—
	11,777,046	11,396,709
Deemed Assets:		
Capital Projects Division investments, Schedule 6	1,934,638	1,604,920
	$13,711,684	$13,001,629
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	$ 37,355	$ 38,786
Due to the General Revenue Fund	—	6,950
	37,355	45,736
Fund Equity:		
Represented by net assets, Statement B	11,739,691	11,350,973
	11,777,046	11,396,709
Represented by deemed assets, Statement B	1,934,638	1,604,920
	$13,711,684	$13,001,629

The accompanying notes are part of these financial statements.

Alberta Heritage Savings Trust Fund **Statement B**

Statement of Income, Retained Earnings, Transfers and Fund Equity

For the Year Ended March 31, 1984

(thousands of dollars)

	1984	1983
Income and Retained Earnings:		
Investment income before the undernoted	$ 1,486,663	$ 1,419,012
Add (deduct):		
Decrease (increase) in provision to adjust marketable securities to lower of cost or market value, on an aggregate basis	(19,415)	66,004
Net gain (loss) on disposals of marketable securities	1,969	(926)
Net investment income (Note 3)	1,469,217	1,484,090
Administrative expenses (Note 4)	1,966	2,491
Net income for the year	1,467,251	1,481,599
Transfer to the General Revenue Fund (Note 5)	1,469,217	865,720
Net increase (decrease) in retained earnings	(1,966)	615,879
Retained earnings at beginning of year	3,264,213	2,648,334
Retained earnings at end of year	3,262,247	3,264,213
Transfers from the General Revenue Fund (Note 6):		
Non-renewable resource revenue transfer for the year	720,402	1,370,453
Cumulative transfers at beginning of year		
As previously reported	9,677,642	8,321,227
Prior period adjustment (Note 6)	14,038	—
As restated	9,691,680	8,321,227
Cumulative transfers at end of year	10,412,082	9,691,680
Fund equity at end of year	$13,674,329	$12,955,893
Represented by:		
Net assets	$11,739,691	$11,350,973
Deemed assets	1,934,638	1,604,920
	$13,674,329	$12,955,893

Alberta Heritage Savings Trust Fund **Statement C**

Statement of Changes in Financial Position

For the Year Ended March 31, 1984

(thousands of dollars)

	1984	1983
Funds were provided by:		
Net income for the year	$ 1,467,251	$ 1,481,599
Non-cash items:		
Amortization of discount/premium on investments, net	(34,084)	(83,935)
Increase (decrease) in provision to adjust marketable securities to lower of cost or market value, on an aggregate basis	19,415	(66,004)
Funds provided by operations	1,452,582	1,331,660
Non-renewable resource revenue transfer	720,402	1,370,453
Disposals, repayments and redemptions of investments:		
Marketable securities	1,728,490	4,149,571
Canada Investment Division	8,300	8,300
Alberta Investment Division	985,696	656,655
Commercial Investment Division	142,299	324,439
	5,037,769	7,841,078
Funds were applied to:		
Transfer to the General Revenue Fund (Note 5)	1,469,217	865,720
Investments:		
Marketable securities	1,952,660	3,739,707
Alberta Investment Division	903,650	2,475,462
Commercial Investment Division	141,537	326,040
Capital Projects Division investments	529,718	295,598
	4,996,782	7,702,527
Net funds provided	40,987	138,551
Deduct:		
Increase in receivables	38,082	86,133
Decrease (increase) in payables	8,381	(6,444)
	46,463	79,689
Decrease (increase) in deposit in the Consolidated Cash Investment Trust Fund	$ 5,476	$ (58,862)

Capital Projects Division
Statement of Amounts Expended

For the Year Ended March 31, 1984

(thousands of dollars)

Department/Project	Amounts Authorized (a)	Amounts Expended	Unexpended
Agriculture			
Farming For The Future	$ 7,500	$ 7,442	$ 58
Food Processing Development Centre	4,511	2,149	2,362
Irrigation Rehabilitation and Expansion	32,988	32,853	135
Economic Development			
Venture Capital Financing — Vencap Equities Alberta Ltd.	200,000	200,000	—
Energy and Natural Resources			
Alberta Oil Sands Technology and Research Authority	68,000	54,500	13,500
Alberta Reforestation Nursery	2,683	1,042	1,641
Grazing Reserves Development	6,898	4,053	2,845
Maintaining Our Forests	6,236	4,865	1,371
Environment			
Irrigation Headworks and Main Irrigation Systems Improvement	91,500	71,260	20,240
Land Reclamation	5,000	4,006	994
Lesser Slave Lake Outlet	1,674	1,145	529
Paddle River Basin Development	12,679	12,645	34
Executive Council			
Occupational Health and Safety Research and Education	1,351	1,253	98
Hospitals and Medical Care			
Alberta Children's Provincial General Hospital	789	789	—
Applied Cancer Research	5,359	4,197	1,162
Tom Baker Cancer Centre and Special Services Facility	5,501	4,105	1,396
Walter C. Mackenzie Health Sciences Centre	95,000	76,755	18,245

Department/Project	Amounts Authorized (a)	Amounts Expended	Unexpended
Public Works, Supply and Services			
Capital City Recreation Park	$ 1,000	$ 163	$ 837
Fish Creek Provincial Park (Land)	2,000	206	1,794
Recreation and Parks			
Fish Creek Provincial Park (Development)	1,085	721	364
Kananaskis Country Recreation Development	28,315	21,460	6,855
Urban Parks	22,252	22,120	132
Transportation			
Airport Terminal Buildings	2,505	1,989	516
	$604,826	$529,718	$ 75,108

(a) Amounts authorized under the Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Act, 1983, as amended, and the Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Act, 1983 (No. 2) have been reduced by liabilities of the prior fiscal year which exceeded the available authority in the case of Alberta Children's Provincial General Hospital in the amount of six hundred and forty-five thousand dollars.

Notes to the Financial Statements

March 31, 1984

Note 1
Authority

The Alberta Heritage Savings Trust Fund operates under the authority of the Alberta Heritage Savings Trust Fund Act, Chapter A-27, Revised Statutes of Alberta 1980, as amended.

Note 2
Summary of Significant Accounting Policies and Reporting Practices

(i) These financial statements have been prepared in accordance with generally accepted accounting principles, except as follows:

(a) The investment in Alberta Energy Company Ltd., which represents 45% of the total number of issued and outstanding voting shares of the company, included in the Alberta Investment Division is valued at cost. Income is recognized only to the extent that dividends are received or receivable. The book value of the investment is not adjusted for the Fund's pro-rata share of retained earnings of the company.

(b) Capital Projects Division investments represent the aggregate net amount expended from November 4, 1976 to March 31, 1984 under the authority of "Appropriation Acts" passed pursuant to section 6(2)(a) of the Alberta Heritage Savings Trust Fund Act. These investments are deemed to be assets of the Trust Fund with a value equal to the amounts expended pursuant to section 6(8)(a) of the Alberta Heritage Savings Trust Fund Act. Amounts expended which are recoverable by the Fund are not included in Deemed Assets but are shown separately as assets of the Fund. Amounts expended, not recoverable by the Fund are shown as Deemed Assets.

(ii) Other significant accounting policies are as follows:

(a) Securities included in the Canada Investment Division, the Alberta Investment Division, the Energy Investment Division and the Commercial Investment Division are valued at cost. Cost includes the amount of applicable amortization of discount or premium using the straight line method over the life of the securities.

(b) The participation in the Syncrude Project, included in the Alberta Investment Division, is accounted for at cost less amortization and depreciation.

(c) Bonds included in marketable securities are valued at cost or market value, whichever is lower, on an aggregate basis. Short-term money market securities are valued at cost. Cost includes the amount of applicable amortization of discount or premium using the straight line method over the life of the securities.

(d) The cost of disposals is determined on the average cost basis. Gains and losses arising as a result of disposals and any change in the provision to adjust the cost of marketable securities to the lower of cost or market value, on an aggregate basis, are included in the determination of net investment income.

(e) Marketable securities and payables in respect of forward exchange contracts denominated in foreign currency are translated at the current rate of exchange at the balance sheet date.

Unrealized exchange gains or losses which relate to the translation of hedged monetary assets are deferred.

Note 3
Segmented Information

Segmented information on net investment income is as follows:

	1984	1983
Deposit in the Consolidated Cash Investment Trust Fund	$ 12,012,000	$ 16,623,000
Marketable securities:		
Money market	27,048,000	79,898,000
Bonds	8,594,000	102,953,000
Canada Investment Division investments:		
Debentures	244,134,000	245,113,000
Alberta Investment Division investments:		
Debentures	1,094,059,000	948,002,000
Common shares	4,549,000	4,519,000
Participation in Syncrude Project (a)	61,467,000	68,717,000
Energy Investment Division investments:		
Debenture	3,469,000	3,469,000
Commercial Investment Division investments:		
Money market securities	1,086,000	7,692,000
Convertible bonds	1,582,000	1,158,000
Equities	8,624,000	5,946,000
Capital Projects Division investments:		
Participating debenture of Vencap Equities Alberta Ltd.	2,593,000	—
	$1,469,217,000	$1,484,090,000
(a) Participation in Syncrude Project comprises:		
Sales of share of substances produced	$ 218,740,000	$ 214,339,000
Less total operating costs	157,273,000	145,622,000
	$ 61,467,000	$ 68,717,000

Note 4
Administrative Expenses

	1984	1983
Expenses paid directly from the Fund pursuant to section 11(1) of the Alberta Heritage Savings Trust Fund Act	$ 649,000	$1,214,000
Other administrative expenses estimated and charged to the Fund pursuant to section 11(2) of the Alberta Heritage Savings Trust Fund Act	1,317,000	1,277,000
	$1,966,000	$2,491,000

Administrative expenses for the year ended March 31, 1984 relating to the Syncrude Project estimated at $543,000 (1983 — $534,000) are not included in other administrative expenses but are reflected in results of operations of the project for the year.

Administrative expenses include an amount of $466,000 (1983 — $867,000) expended to communicate the role and activities of the Fund.

Note 5
Transfer to the General Revenue Fund

All (1983 — 7/12) of the net investment income of the Fund in respect of the 1983-84 fiscal year has been transferred to the General Revenue Fund pursuant to section 4(2) of the Alberta Heritage Savings Trust Fund Act. Section 4(2) of the Act provides for the transfer to the General Revenue Fund of all of the net income of the Fund in respect of the 1984-85 and subsequent fiscal years.

Note 6
Transfers from the General Revenue Fund

15% (1983 — 30%) of the estimated non-renewable resource revenue received by the Province during the year ended March 31, 1984 has been transferred to the Alberta Heritage Savings Trust Fund pursuant to section 1 of the Alberta Heritage Savings Trust Fund Special Appropriation Act, 1983-84 and section 5(5) of the Alberta Heritage Savings Trust Fund Act. An adjustment may be necessary pursuant to section 5(6) of the Alberta Heritage Savings Trust Fund Act on the finalization of the 1983-84 Public Accounts, to make the amount of the non-renewable resource revenue in the Alberta Heritage Savings Trust Fund for the year ended March 31, 1984 equal to 15% of the non-renewable resource revenue received in that year.

The prior period adjustment of $14,038,000 (1983 — $ Nil) represents the adjustment made on the finalization of the 1982-83 Public Accounts.

For the 1984-85 fiscal year, 15% of the non-renewable resource revenue received by the Province will be transferred to the Alberta Heritage Savings Trust Fund pursuant to section 1 of the Alberta Heritage Savings Trust Fund Special Appropriation Act, 1984-85.

Note 7
Capital Projects Division Commitments

The Legislative Assembly has authorized the expenditure of $291,950,300 for Capital Projects Division investments during the period April 1, 1984 to March 31, 1985 pursuant to the Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Acts, 1984-85.

Note 8
Contingencies

Claims pending at March 31, 1984 in respect of Capital Projects Division land acquisitions, excluding interest and costs, if any, exceed amounts expended by approximately $47,400,000 (1983 — $47,000,000). The actual liability cannot be determined until expropriation proceedings are completed.

Other claims and potential claims pending at March 31, 1984 in respect of various capital projects exceed amounts expended by approximately $15,719,000 (1983 — $6,200,000). The resulting loss, if any, from these claims and potential claims cannot be determined.

Note 9
Comparative Figures

The 1983 figures have been restated where necessary to conform to the 1984 presentation.

Note 10
Approval of Financial Statements

These financial statements were approved by management on June 18, 1984.

Alberta Heritage Savings Trust Fund **Schedule 1**

Marketable Securities

March 31, 1984

	Par Value	Cost	Market Value
	(thousands of dollars)		
Bonds:			
Government of Canada, direct	$138,200	$136,362	$104,293
Provincial, direct and guaranteed:			
Alberta	4,740	4,531	4,038
Other provinces	98,100	95,072	71,675
Corporate	8,350	8,215	6,670
	$249,390	244,180	186,676
Short-term money market securities (a):			
Treasury bills:			
Government of Canada		128,659	128,659
Province of Alberta		76,497	76,497
Other provinces		122,792	122,792
Promissory notes:			
Province of Alberta		54,604	54,604
Corporate		106,268	106,268
Bankers' acceptances		65,021	65,021
Deposit receipts		38,514	38,514
Bearer deposit notes		26,722	26,722
Certificates of deposit		2,007	2,007
		621,084	621,084
Total marketable securities		$865,264	$807,760
1983 comparative total		$613,859	$575,769

(a) The market value of short-term money market securities is estimated to approximate cost.

Alberta Heritage Savings Trust Fund **Schedule 2**

Canada Investment Division Investments

March 31, 1984

	1984 Par Value	Cost	
		1984	1983
	(thousands of dollars)		
Debentures (a):			
Province of Manitoba	$ 260,000	$ 258,471	$ 258,227
Province of New Brunswick	247,000	244,470	244,164
New Brunswick Electric Power Commission	135,000	133,176	133,028
Province of Newfoundland	155,000	153,994	153,789
Newfoundland and Labrador Hydro	150,000	147,970	147,842
Newfoundland Municipal Financing Corporation	76,600	75,826	77,465
Province of Nova Scotia	235,000	231,837	231,633
Nova Scotia Municipal Finance Corporation	62,050	61,736	66,289
Nova Scotia Power Corporation	125,000	123,706	123,615
Province of Prince Edward Island	90,000	88,824	90,689
Hydro-Quebec	385,000	376,228	375,775
	$1,920,650	$1,896,238	$1,902,516

(a) Debentures bear interest rates from 9.50% to 17.75% with maturity dates from December 19, 1984 to July 15, 2005. The debentures are redeemable by a single payment of the full principal sum on maturity.

Alberta Heritage Savings Trust Fund **Schedule 3**

Alberta Investment Division Investments

March 31, 1984

	1984	1983
	(thousands of dollars)	
Provincial corporation debentures (a):		
Alberta Agricultural Development Corporation	$ 847,000	$ 718,000
Alberta Government Telephones Commission	1,494,802	1,713,340
Alberta Home Mortgage Corporation	2,541,003	2,540,077
Alberta Housing Corporation	906,581	1,021,232
Alberta Municipal Financing Corporation	1,451,696	1,449,522
Alberta Opportunity Company	168,200	161,200
Corporate debentures:		
TransAlta Utilities Corporation 13.75% maturing on April 17, 1985	19,927	19,857
Bralorne Resources Limited 12.875% maturing on August 15, 1995	4,625	5,000
Interprovincial Steel and Pipe Corporation Ltd. 14.50% maturing on May 15, 1995	4,615	5,000
Canadian Commercial Bank maturing on July 4, 1986 (b)	5,000	5,000
Ridley Grain Ltd. 11% participating first mortgage bonds (c)	116,592	31,369
Common Shares:		
Alberta Energy Company Ltd. (d)	76,759	76,759
Participation in Syncrude Project (e)	442,548	411,344
	$8,079,348	$8,157,700

(a) Provincial corporation debentures bear interest rates from 8.25% to 18.40% with maturity dates from June 1, 1984 to November 28, 2013. Interest rates on Alberta Government Telephones Commission and Alberta Municipal Financing Corporation debentures are fixed to maturity and redemption is by a single payment of the full principal sum on maturity. In general the interest rates on the other provincial corporation debentures are fixed for a 5 year period only and repayment is by annual instalments of the principal sum over the life of the debenture. The Provincial Treasurer may permit all or part of the other provincial corporation debentures to be redeemed by the issuer prior to maturity without penalty.

During the year debentures amounting to $374,810,000 (1983 — $ Nil) were redeemed prior to maturity.

A disposal of provincial corporation debentures amounting to $145,767,000 plus accrued interest was made during the year to Vencap Equities Alberta Ltd. as part of the arrangements whereby a loan to Vencap Equities Alberta Ltd. of $200,000,000 was made out of the Capital Projects Division of the Fund (Schedule 6).

(b) Interest rate floats at the Bank's prime lending rate less 0.5%.

(c) The Province's contractual obligations to invest monies in participating first mortgage bonds of Ridley Grain Ltd. have been met up to the maximum authorized to be paid from the Fund. The monies are to be used to finance a project to construct a new grain terminal at Ridley Island, Prince Rupert, British Columbia. Prior to completion of the project, interest on the bonds is to be capitalized and compounded annually. Thereafter interest is compounded semi-annually and payable annually. Any shortfall will be capitalized. The principal, including capitalized interest, is repayable over a period not exceeding thirty years from the completion of the project or by December 31, 2016, whichever is the earlier.

The Fund's investment in the Project at March 31, 1984 includes capitalized interest of $10,342,000 (1983 — $420,000).

(d) Pursuant to section 19(1) of the Alberta Energy Company Act, the aggregate amount that the Province may have invested in the company at any time, or be committed to invest, in common shares shall not exceed $250 million as the purchase price thereof. At March 31, 1984 the Fund held 22,744,127 common shares of the company (1983 — 22,744,127 common shares) representing 45% (1983 — 45%) of the total number of issued and outstanding voting shares of the company. Assuming full conversion of the outstanding second preferred shares, series 1, of the company, which are convertible during the period July 1, 1984 to July 1, 1989, the Fund's present holding of shares in the company would represent 44% of the total number of issued and outstanding voting shares. The holding was acquired before the commencement of operations of the company.

The company reported retained earnings at December 31, 1983 of $216,700,000 (1982 — $177,300,000).

(e) Authorization has been given to pay from the Fund the Province's share of construction and operating costs incurred under the Syncrude Project — Ownership and Management Agreement. As a 16.74% participant in the project the Fund is, as lessee, entitled to its proportionate share of all substances produced subject to the liabilities to the Province of Alberta, as lessor, in accordance with the Alberta Crown Agreement. The Fund's participation in the project is summarized hereunder:

	1984	1983
Balance at beginning of year	$411,344,000	$439,024,000
Acquisition of capital assets	32,912,000	14,367,000
Increase (decrease) in working capital	22,090,000	(23,351,000)
Depreciation and amortization of capital assets	(23,798,000)	(18,696,000)
Balance at end of year	$442,548,000	$411,344,000

It is intended that the cost of participation will be fully amortized by December 31, 2004, the date of expiry of the approval of the project by the Energy Resources Conservation Board.

Alberta Heritage Savings Trust Fund **Schedule 4**

Energy Investment Division Investments

March 31, 1984

	1984	1983
	(thousands of dollars)	
Corporate debenture:		
Luscar Ltd.		
13.875% maturing on December 2, 1989	**$25,000**	$25,000

Repayable in equal quarterly amounts beginning March 2, 1985.

Alberta Heritage Savings Trust Fund **Schedule 5**

Commercial Investment Division Investments

March 31, 1984

	Cost	Market Value
	(thousands of dollars)	
Canadian equities (a):		
Common Shares:		
Communications and media	$ 7,074	$ 10,940
Consumer goods and services	20,524	31,424
Financial services	5,262	8,860
Forest products and paper	9,115	13,697
Golds	3,511	7,155
Industrial goods and services	21,608	26,811
Management companies	15,334	24,645
Merchandising	13,790	18,268
Metals and minerals	22,670	33,734
Oil and gas	27,763	38,892
Pipelines	9,626	11,705
Transportation	7,359	8,805
Utilities	13,988	17,675
Preferred Shares:		
Merchandising	2,124	1,827
	179,748	254,438
Convertible bonds	13,916	15,024
Short-term money market securities (b):		
Treasury bills:		
Government of Canada	5,491	5,491
Total investments	$199,155	$274,953
1983 comparative total	$198,785	$248,387

(a) The industrial classifications are those used by the Toronto Stock Exchange.

(b) The market value of short-term money market securities is estimated to approximate cost.

Alberta Heritage Savings Trust Fund **Schedule 6**

Capital Projects Division Investments

March 31, 1984

Department/Project	1984	1983
	(thousands of dollars)	
Assets:		
Economic Development		
Venture Capital Financing — Vencap Equities Alberta Ltd. (a)	$ 200,000	$ —
Deemed Assets:		
Advanced Education		
Alberta Heritage Scholarship Fund	100,000	100,000
Library Development	9,000	9,000
Agriculture		
Farming For The Future	24,904	17,462
Food Processing Development Centre	5,945	3,796
Irrigation Rehabilitation and Expansion	127,326	94,473
Economic Development		
New Rail Hopper Cars	53,779	53,779
Education		
Alberta Heritage Learning Resources	9,222	9,222
Energy and Natural Resources		
Alberta Oil Sands Technology and Research Authority	251,449	196,949
Alberta Reforestation Nursery	14,555	13,513
Grazing Reserves Development	24,168	20,115
Maintaining Our Forests	16,606	11,741
Environment		
Irrigation Headworks and Main Irrigation Systems Improvement	156,904	85,644
Land Reclamation	20,781	16,775
Lesser Slave Lake Outlet	2,889	1,744
Paddle River Basin Development	36,251	23,606
Executive Council		
Occupational Health and Safety Research and Education	2,396	1,143
Hospitals and Medical Care		
Alberta Children's Provincial General Hospital	40,477	39,688
Applied Cancer Research	21,033	16,836
Applied Heart Disease Research	29,341	29,341
Tom Baker Cancer Centre and Special Services Facility	93,204	89,099
Walter C. Mackenzie Health Sciences Centre	268,009	191,254
Alberta Heritage Foundation for Medical Research Endowment Fund	300,000	300,000

Department/Project	1984	1983
	(thousands of dollars)	
Public Works, Supply and Services		
Capital City Recreation Park	$ 42,243	$ 42,080
Fish Creek Provincial Park (Land)	27,617	27,411
Recreation and Parks		
Fish Creek Provincial Park (Development)	16,687	15,966
Kananaskis Country Recreation Development	183,141	161,681
Urban Parks	40,352	18,232
Transportation		
Airport Terminal Buildings	16,359	14,370
	1,934,638	1,604,920
	$2,134,638	$1,604,920

(a) The Province has loaned Vencap Equities Alberta Ltd. (Vencap) the sum of $200,000,000 out of the Capital Projects Division of the Fund. The loan is repayable in instalments of $1,000 in each of the years 1984 to 2002, inclusive, in instalments of $15,000,000 in each of the years 2003 to 2012, inclusive, with the balance due in 2013. In the current year interest on the participating debenture securing the loan amounts to 50% of the defined net income of Vencap (net income after deducting a portion of debenture issue costs but before income taxes and certain interest expense). This percentage reduces as the loan is repaid and convertible debentures amounting to $40,000,000, maturing July 2, 1998, and guaranteed by the Province, are converted or redeemed. For 20 years following full repayment of the loan, the Fund will receive 10% of the defined net income of Vencap.

As further consideration for the loan the Province has been granted an option to purchase up to 4,000,000 special shares at $1 each, exclusive to the Province, convertible into common shares of Vencap. The purchase option expires on the later of the repayment of the loan and the redemption or conversion of the convertible debentures, on which later date the 20% voting rights attaching to each and all of the special shares, cease.

POOR

QUALITY

ORIGINAL